

**DEPARTMENT OF THE NAVY  
HUMAN RESOURCES SERVICE CENTER NORTHEAST**

<b>EMPLOYEE BENEFITS UPDATE 02-04</b>
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**SUBJECT:   SIGNIFICANT CHANGES TO THRIFT SAVINGS PLAN (TSP)  
PROGRAM (REVISED)**

**DATE:       06 SEPTEMBER 2002**

**NEW RECORD KEEPING SYSTEM**

The Federal Retirement Thrift Savings Investment Board has announced that the long awaited new record keeping system for the Thrift Savings Plan (TSP), will be delayed until November 2002. The new system was developed on time and within budget, but its implementation is being delayed in order to ensure that all of its functions are fully tested in parallel with the operation of the current record keeping system, using actual participant data submissions. The “parallel testing” has not yet been conducted because the conversion of TSP participant records created since the Plan’s inception in 1987, a prerequisite for such testing and ultimately for implementation, has taken longer than expected. A revised implementation date will be posted as soon as possible. Deployment of the new record keeping system would give federal employees more control over their Thrift Savings Plan account.

The new system will allow for daily valuation of accounts and daily processing of transactions. It will also report account balances in terms of shares as well as dollars; offer a greater number of withdrawal options; and provide on line service via the web site for loans and withdrawals. A summary of these and other operational improvements is provided in a leaflet entitled “How the TSP is Changing,” now available on the TSP web site, [www.tsp.gov](http://www.tsp.gov).

**CHANGES TO THE WEB SITE AND THRIFTLINE**

The new record keeping system will allow you to learn your current account balance, obtain daily share prices, check the status of an outstanding loan and obtain a loan prepayment amount on both the Web site and the ThriftLine. On the Web site, you will also be able to begin (and in some cases, complete) a loan request. Whether you will be able to complete the loan application process on line will depend on whether your request requires your spouse’s signature or additional documentation. If you are a new participant, your Personal Identification Number (PIN) for the Web site or the ThriftLine will be mailed to you by the TSP in a separate mailing as soon as your agency establishes your TSP account.

**LOAN INFORMATION**

Loan agreements and withdrawal requests must be received by September 30 for payment in early October. Updated information will be given at a later date for information when loan agreements and withdrawal requests must be received for payment in November.

## **IN-SERVICE WITHDRAWALS**

Financial hardship in-service withdrawals will no longer be considered eligible rollover distributions for Federal income tax purposes and will therefore no longer be subject to mandatory 20% Federal income tax withholding. You will not be able to transfer such in-service withdrawals to an IRA or other eligible retirement plan. The default tax withholding will be 10%, which may be increased or decreased by submitting Form W-4P, Withholding Certificate for Pension or Annuity.

## **INTERFUND TRANSFER REQUESTS**

Interfund transfer requests made on the TSP Web site or the ThriftLine by midnight (central time) September 16 will be effective as of September 30. Paper-based requests must be made on Form TSP-50 and must be received by the TSP Service Office by September 16 to be effective as of September 30. All requests received after September 16 (but not later than October 15) will be effective as of October 31.

## **NEW OPEN SEASON DATES**

The TSP open season dates are scheduled to be changed even though the new system has been delayed. The open season dates will be changed to April 15 - June 30 and October 15 - December 31. Contribution elections made during those periods will generally become effective in June or December, respectively. Updated TSP open season information will be distributed as soon as it becomes available.

## **IRS LIMIT FOR 2003**

An elective deferral is a tax-deferred amount that you choose to contribute to a plan instead of receiving those amounts as pay. Because such contributions are tax-deferred, they are not included in your taxable gross income for the year in which they are contributed. Section 402 of the Tax Code limits the amount of income that you may elect to defer under all cash or deferred arrangements during a tax year. (For most employees, a tax year is January 1 through December 31). The new IRS elective deferral limit for 2003 is \$12,000. Thereafter, the limit will increase each year by \$1,000 until it reaches \$15,000 in 2006.

## **REVISION OF TSP-50, INVESTMENT ALLOCATION**

The Federal Retirement Thrift Investment Board has revised Form TSP-50, Investment Allocation, for use in the new record keeping system. Participants may use Form TSP-50 to request Thrift Savings Plan contribution allocations and/or interfund transfers. However, participants are encouraged to use the more efficient electronic media (i.e., the Web site at [www.tsp.gov](http://www.tsp.gov) or the ThriftLine at (504) 255-8777) to request these investment changes. Participants may obtain Form TSP-50 from the TSP Service office (at the ThriftLine number above) or by calling the Benefits Line on 1-888-320-2917. This form is not available from the TSP Web site (unlike all other TSP forms) because the form is designed to be read by optical

scanner. Participants should continue to use the old version of the TSP-50 form dated 5/2001 and not the revised form dated 8/2002 until the new record keeping system is available.

### **REVISION OF FORM TSP-3, THRIFT SAVINGS PLAN DESIGNATION OF BENEFICIARY**

The Federal Retirement Thrift Investment Board has revised the Thrift Savings Plan Designation of Beneficiary (Form TSP-3) for use in the new record keeping system. Although the information that must be completed on the form has not changed, the explanatory information provided on the form has been updated to reflect changes that will occur when the new record keeping system is implemented. Participants should continue to use the old version of the TSP-3 form revised 10/1996 until the new system is implemented.

### **THRIFT SAVINGS PLAN (TSP) EXPANDED OPTIONS FOR TRANSFERS INTO TSP**

As of April 1, 2002, participants can transfer or rollover funds from any eligible retirement plan into the TSP, including funds from an eligible employer plan like a 401 (k) plan or a traditional individual retirement account (IRA). However, because the TSP cannot accept balances on which income taxes have already been paid, transfers must consist solely of balances on which income taxes have not yet been paid. For more information, see Form TSP-60, Request for a Transfer into the TSP. You may obtain this form via Web site at [www.tsp.gov](http://www.tsp.gov).

### **TSP FOR EMPLOYEES ENTERING MILITARY ACTIVE DUTY**

Civilian employees going on LWOP or separating to perform active duty in the uniformed services will face some decisions regarding their TSP contributions. As active duty service members, they can contribute to a separate military TSP account, without the benefit of matching contributions from their branch of service. If they are later properly restored to their civilian position, they may make retroactive contributions and TSP elections to cover the period of military service. Employees should be aware that the amount of money they can retroactively contribute to their civilian accounts will be offset by any contributions they made with the uniformed services TSP account while on active duty. This offset could reduce or eliminate any agency matching contributions that a FERS employee would normally receive. The Uniformed Services Employment Act of 1994 (USERRA) authorizes employees who enter nonpay status to perform military service to make up TSP contributions. Upon reemployment or return to pay status, the agency must also allow an eligible employee 60 days to determine if he or she wants to make up TSP contributions missed. Additional information may be obtained from The Fact Sheet "TSP Benefits That Apply to Members of the Military Who Return to Civilian Service" at [www.tsp.gov](http://www.tsp.gov).

### **THRIFT SAVINGS PLAN (TSP) PARTICIPANTS' TAX CREDIT**

Employees who participate in the TSP during tax years 2002 through 2006, may be eligible for a tax credit of up to \$2,000 on their Federal Income tax return for each year they contribute to the

plan. This “Saver’s Tax Credit” is available to participants with an adjusted gross income of no more than \$50,000 if married filing jointly, \$37,500 if head of household, or \$25,000 if single or married filing separately. For more information about this new tax credit, employees should consult a tax advisor or refer to IRS Publication 553, Highlights of 2001 Tax Changes.

## **STOPPING LOAN PAYMENTS DUE TO CHAPTER 13 BANKRUPTCY**

Effective immediately, agencies must stop TSP loan payments for a participant upon receipt of a legal document showing that the participant has filed a chapter 13 bankruptcy petition, unless the bankruptcy court issues an order that expressly permits the loan payments to continue. For more information about the effect of a bankruptcy petition on TSP loans, see the Fact Sheet Bankruptcy Information, which is available from the web site at [www.tsp.gov](http://www.tsp.gov).

## **INFORMATION ABOUT TSP**

If you have any questions about the TSP, visit the following web sites at [www.tsp.gov](http://www.tsp.gov) or [www.donhr.navy.mil](http://www.donhr.navy.mil) or contact the Benefits Line on 1-888-320-2917. Hearing impaired employees may call our TDD number at (215) 408-5449.